

Business is Booming in the San Diego Region

Companies both large and small are attracted to San Diego's pro-business climate and helpful government agencies. The region offers a wide array of business incentives, an educated workforce, close ties with Mexico and the Pacific Rim and neighborhoods as unique and diverse as the people who live here.

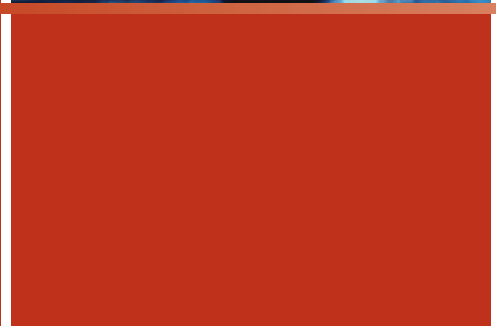
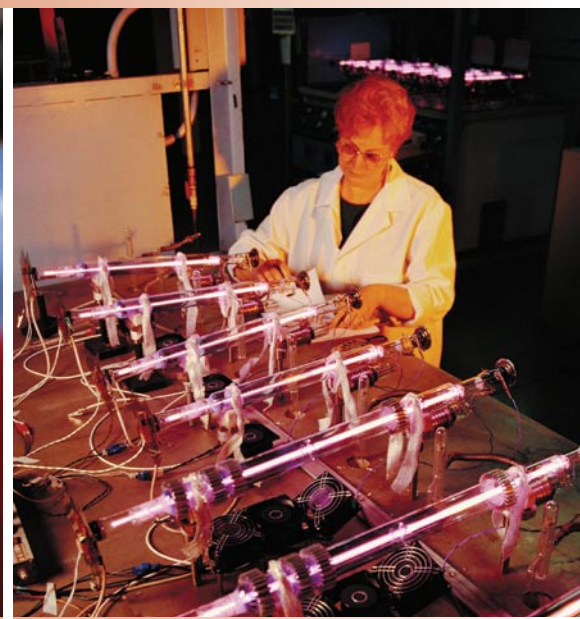
The San Diego region has created an ideal climate for business that is attracting national attention. *Forbes* magazine dubbed the San Diego region the "Best Place to Build a Business." Additionally, *The New York Times* and *USA Today* have praised the area's efforts to assist the business community and *California CEO* honored both San Diego and Chula Vista, the two largest cities in the county, with a designation for each as one of "California's Best Cities for Business."



San Diego is one of the "world's best big cities for business."

— Fortune Magazine





San Diego is Zoned for Incentives

A major component of the region's pro-business toolbox is the Enterprise Zone. Designed to support and enhance business development, Enterprise Zones are geographically designated areas in which businesses can receive several substantial state tax breaks and other benefits. Enterprise Zones were created to stimulate business investments and increase job opportunities. These zones offer businesses the largest array of incentives in one area.

San Diego's Regional Enterprise Zone Program has been designated by the State of California and is administered by the City of San Diego. Key benefits of San Diego's Enterprise Zones include:

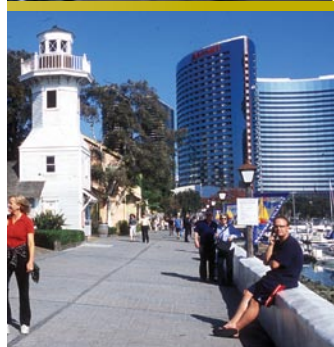
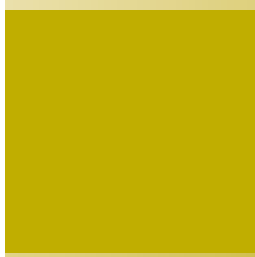
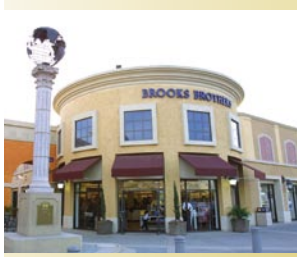
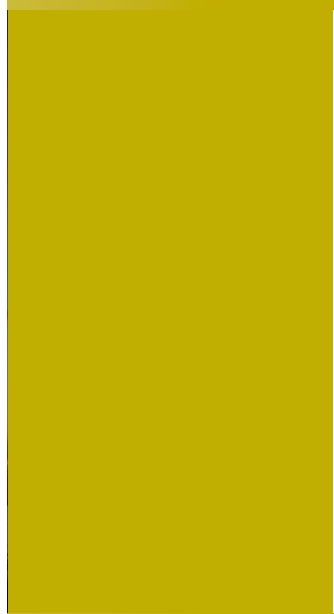
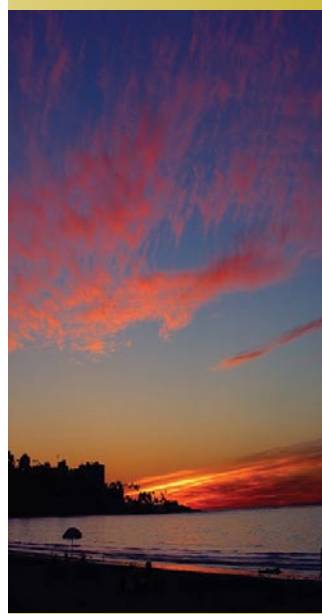
- **Wage tax credits**
- **Manufacturing equipment tax credits**
- **Sales and use tax credits**
- **Carryover of unused tax credits**
- **No-cost job referral service**
- **Development permit expediting and assistance**
- **Tax savings for employees within Enterprise Zones**

Available benefits and incentives offered through the Enterprise Zone Program have attracted all types of industries to the area including:

- **Light Industrial/Manufacturing**
- **Maquiladora-type Facilities**
- **Retail/Entertainment**
- **Commercial**
- **Research and Development**

"San Diego... is a Cinderella story of the U.S. Economy."

—Forbes Magazine



Opportunities Abound in Enterprise Zones

For more than two decades San Diego's Enterprise Zones have attracted numerous businesses to the region, resulting in billions of dollars in investment. The zones, managed by the City of San Diego, include partner jurisdictions from the cities of Chula Vista and National City, as well as the Port of San Diego.

San Diego's Regional Enterprise Zone Program covers designated areas of the City of San Diego (Barrio Logan, Golden Hill, Mid-City, Otay Mesa- Border Communities), the City of Chula Vista along prime waterfront property and National City along its bayfront. Portions of these areas offer the most extensive developable land opportunities in the region and offer tremendous opportunities and incentives for businesses and industries.

Additionally, other incentive programs overlap with the Enterprise Zone Program providing additional opportunities for businesses. Incentives include Redevelopment Project Areas, a Federal Renewal Community designation, a Recycling Market Development Zone and a Foreign Trade Zone. The diverse array of businesses and industries taking advantage of the Enterprise Zone Program includes:

Light Industrial/Manufacturing

ARC Products

BAE Systems/San Diego Ship Repair

Casas International Brokerage Inc.

CNC Manufacturing

DHL

Duke Energy

E & E Industries

European Panel Products

Factory 2U

Golden Oak Furniture

Goodrich Corporation

Howard Leight Industries

Knight & Carver YachtCenter

Laing Inc.

Motivational Systems Inc.

Mountain High Knits

NASSCO

Northrop Grumman

O.A.P. Packaging

Parker Hannifin

PASHA

Performance Plastics

Quality Cabinets

Raytheon

RPM Material Handling Company

South Bay Boat Yard

Southwest Marine

Student First Transportation

Sundance Stage Lines

Tactical Assault Gear

Triple K Manufacturing

Uniforms Express

United Parcel Service

"From its roots as a military town, San Diego has been transformed in just half a decade into a vital entrepreneurial center spawning garage start-ups and attracting giant multi-nationals doing research, marketing and manufacturing."

— New York Times



Maquiladora-type Facilities

BOSE
Comair Rotron
Graphite Design
Honeywell
Hyundai
Martin Furniture
Mattel
Matsushita
Maxell
Samsung
Sanyo
Smith Corona
Sony

Retail/Entertainment

7-11 Stores
Albertson's
Burger King
Cost Plus
Costco
El Pollo Loco Restaurant
Home Depot
La Cima Oil Company
Magnolia's Restaurant
McDonald's
Starbucks

Commercial

Baja Mex Insurance
BathandBody.com
BikeBandit.com
Continental Cleaners
Coast Citrus
Diego's & Sons Printing
Restaurant Depot
Vons
Western Dental

Naval Training Center

Established as a Local Agency Military Base Recovery Area (LAMBRA) in June 2001, this special enterprise zone is located within the Naval Training Center Redevelopment Project Area. The former naval base is currently being developed as a thriving new waterfront community along San Diego Bay. A feature of this mixed-use village includes an office district as well as other commercial opportunities. The LAMBRA enterprise zone is minutes from Downtown San Diego and San Diego International Airport.

Businesses and organizations in the LAMBRA include:

CDC Small Business Finance
Cubic Corporation
Five Star Parking
Glow MD Skin Care
Gnostech, Inc.
Law Offices of Leo Sullivan
Life Wellness Institute

Novonics Corporation
San Diego Funding
Telisimo International Corp.
The Corky McMillin Companies
The Rock Church
Triwest Healthcare Alliance
Stutz Artiano Shinoff & Holtz

The following chart outlines the types of businesses that are taking advantage of the tax incentives available in each Enterprise Zone:

BUSINESS TYPE	EZ	LAMBRA
Light Industrial/Manufacturing	•	
Maquiladora-type Facilities	•	
Retail/Entertainment	•	•
Commercial	•	•
Research & Development	•	•

AVAILABLE INCENTIVES	EZ	LAMBRA
Sales or Use Tax Credit	•	•
Hiring Credit	•	•
Accelerated Depreciation Deduction	•	•
Unused Tax Credit Carry-Forward	•	•
Net Interest Deduction For Lenders	•	

Incentives in Detail

The major benefits of the Enterprise Zone Program are the tax savings on California business income tax, including:

Sales or Use Tax Credit: Corporations may claim a credit equal to the sales or use tax paid or incurred to purchase the first \$20 million per year of qualified property, such as new manufacturing, assembly, data processing or communications equipment. Individuals may claim a credit equal to the sales or use tax paid on the first \$1 million per year.

Hiring Credit: State tax credits of \$31,500 or more are available for each qualified employee hired. In the LAMBRA Enterprise Zone Program this credit may not exceed \$2 million per year.

Accelerated Depreciation Deduction: Upfront expensing is available for certain depreciable business property.

Unused Tax Credit Carry-Forward: Unused tax credits can be applied to future tax years, stretching out benefit of initial investment.

Net Interest Deduction for Lenders: Allows lenders a deduction on the net interest earned from loans made to Enterprise Zone businesses. Qualified loans include business loans, mortgages and loans from non-commercial sources. *(Not available in the LAMBRA Enterprise Zone.)*

Other Advantages Include:

- Job referral service that can be used to find, at no cost, qualified employees whose wages can be claimed as tax credits
- Development permit expediting and assistance
- Reduction of certain development fees
- Tax savings for Enterprise Zone employees
- Access to specialized technical and financial assistance programs
- Employment related assistance
- Expedited tenant improvement building permits
- Potential fee reductions

Partner Profiles

SAN DIEGO

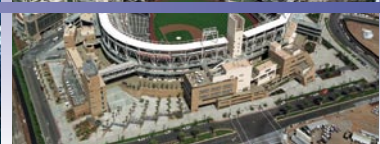
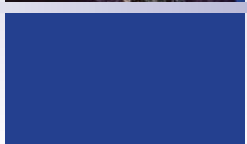
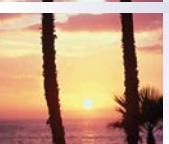
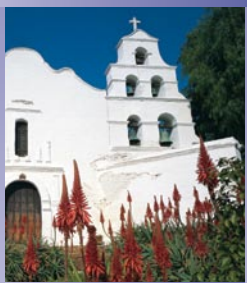
In a word, San Diego's opportunities for business and its quality of life are superb. From its roots as a military town, the City of San Diego has been transformed into a vital entrepreneurial center and the nation's eighth largest city with nearly 1.3 million residents. Famous for its warm and hospitable climate, the City of San Diego has also built a reputation for offering pro-business programs and incentives that attract, cultivate and retain businesses and industries.

San Diego's growth as an ideal business community stems from its commitment to entrepreneurialism. The City of San Diego's small business community makes up approximately 90 percent of the City's overall business demographic. Together with community partners, the City helps retain and expand existing firms, provides services to small businesses, fosters emerging industries and provides access to capital. San Diego also revitalizes and redevelops its neighborhoods and commercial districts and cultivates global trading opportunities.

San Diego's location on the U.S.-Mexico border and Pacific Rim provides unlimited trading opportunities. San Diego companies can take advantage of the North American Free Trade Agreement (NAFTA) and easily reach the vast, expanding markets in Latin America, Asia and Australia. The City's highly educated workforce also puts San Diego at the forefront of cutting-edge ideas and technologies.

Set amidst this vibrant business community, San Diego, California's oldest and second largest city, is world-renowned as a vacation destination, boasting some of the most beautiful scenery along miles of coastline. San Diego also offers its residents and visitors world-famous attractions such as the San Diego Zoo and Wild Animal Park, Sea World, Birch Aquarium at Scripps, Balboa Park, Mission Bay Aquatic Park and Torrey Pines Golf Course.

For the outdoor enthusiast, San Diego is truly paradise with a variety of parks and open spaces, with easy access to sunny beaches, canyons, mountains and deserts. Sports fans enjoy a wide array of activities, including golf and tennis on more than 80 courses and 1,200 courts, as well as professional sports leagues and other teams. San Diego is also a vibrant arts and cultural community with approximately 90 museums, and an impressive list of entertainment options, including plays, musicals, opera, ethnic and community festivals, symphony, ballet, dinner theater and concerts.



CHULA VISTA

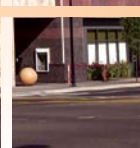
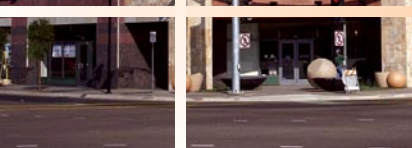
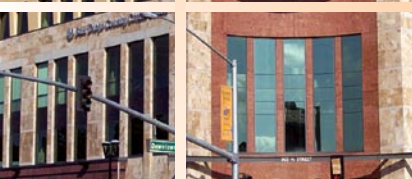
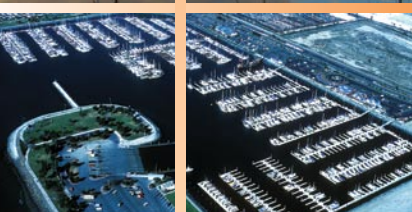
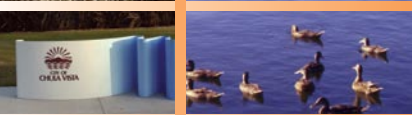
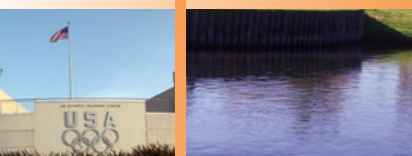
Founded in 1911, the City of Chula Vista boasts an emerging bayfront that represents one of the last significant pieces of undeveloped real estate along scenic San Diego Bay. With this unique investment opportunity the City of Chula Vista is working with local partners, including the Port of San Diego, to create a world-class waterfront that offers everything from recreational facilities to luxury hotels and restaurants.

Chula Vista's expanding corporate presence includes prominent high-tech companies such as Hitachi, DNP and Leviton. In addition, the recent arrival of Profil, a German-based research institute, indicates the City's growing appeal to the biomedical field. Located seven miles from both Downtown San Diego and the busiest international border crossing in the world, Chula Vista continues to attract and retain businesses from a wide range of sizes and types that are taking advantage of the City's excellent business friendly incentives.

More than 225,000 residents call Chula Vista home, living in award-winning master-planned communities, million dollar executive homes and established, historic neighborhoods. Chula Vista continues to attract businesses and families to an area that offers excellent amenities, nationally recognized sports and entertainment venues and an emerging downtown.

Concert-goers find the big names in entertainment on the stage at Coors Amphitheater, and families enjoy Knott's Soak City U.S.A., a popular water theme park. Nature lovers are drawn to the Sweetwater National Wildlife Refuge and the Chula Vista Nature Center along the bay, as well as numerous parks, open spaces and a beautiful harbor.

In addition, Chula Vista provides a variety of cultural and educational facilities such as the Chula Vista Heritage Museum, Onstage Playhouse, the San Diego Junior Theatre and the award-winning Chula Vista Public Library system. Chula Vista also boasts a variety of shops, restaurants and accommodations.



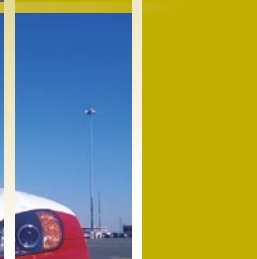
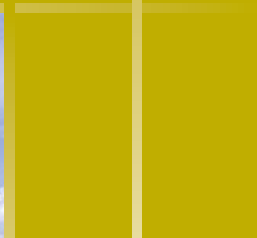
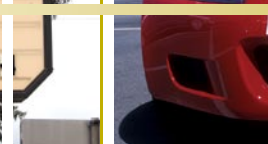
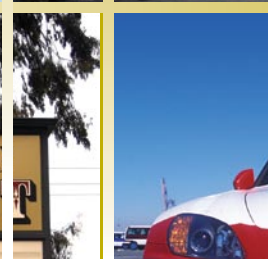
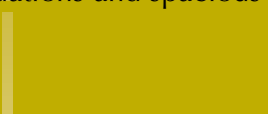
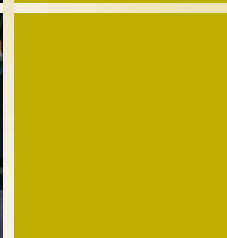
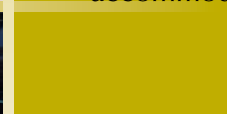
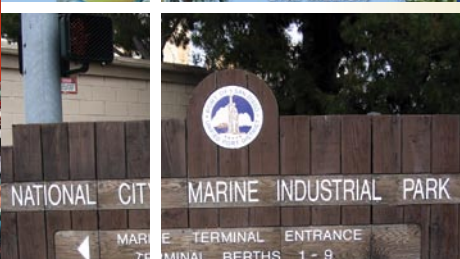
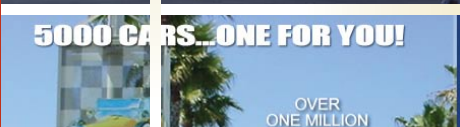
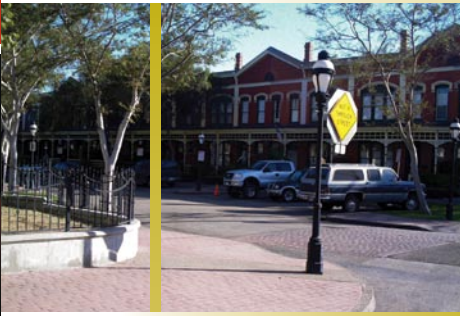
NATIONAL CITY

Established in 1887, National City, a community characterized by historical prominence and fast-paced industry, provides a wealth of support to the burgeoning manufacturing industry in San Diego. Massive shipbuilding yards, the National City Marine Terminal, proximity to the 32nd Street Naval Air Station and the famous "Mile of Cars," named for the thousands of new automobiles that line the showrooms and display lots of every dealer, position San Diego County's second-oldest city as one of its most important commerce centers.

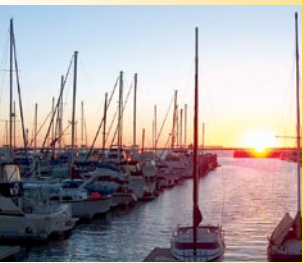
National City covers 9.2 square miles and is bordered by the City of San Diego, Chula Vista, and San Diego Bay. National City offers a wealth of business opportunities through its proximity to these cities as well as the U.S.-Mexico border.

National City is committed to improving the region's highly educated workforce through improved access to educational outlets in the area. National City is working with local colleges and universities to establish new educational facilities including the Higher Education Center at National City, a collaboration between Southwestern College and San Diego State University.

National City is not only a great place in which to do business, it is a great place to live and play. National City's rich Victorian heritage is one of the city's more important assets. National City's graceful, historic Victorian homes provide a glimpse of the area as it was some 100 years ago. These beautifully restored, carefully maintained houses give National City a flavor distinctly its own. Serviced by the San Diego Trolley, National City boasts first-rate shopping, theatre, accommodations and spacious parks.



THE PORT OF SAN DIEGO



The Port of San Diego's jurisdiction includes 33 miles of land along San Diego Bay and the Imperial Beach oceanfront. The Port manages the San Diego harbor and administers the public lands along the waterfront of the cities of Chula Vista, Coronado, Imperial Beach, National City and San Diego. Industries leasing facilities from the Port's available real estate include hotels, marinas, restaurants, shipyards, manufacturers and more.

The Port's modern shipping terminals offer businesses a first-rate facility for cargo shipping and receiving. The Port's Tenth Avenue terminal features a customized, state-of-the-art mobile crane and bulk unloader, a 20.7-acre refrigerated container facility, a 300,000-square-foot cold storage facility and capacity to handle bulk, breakbulk and container cargo. Additionally, direct access to on-dock rail facilities and three major interstate freeways gives businesses the opportunity to export and transport products quickly and efficiently both locally and worldwide.

San Diego Bay's close proximity to Mexico and the open ocean make it an ideal location for cargo shipping with excellent potential for growth. Two marine terminals provide 15 berths accommodating automobiles, lumber, fresh produce, cement, sand and steel cargo among others. The Port also owns the B Street Cruise Ship Terminal which welcomes over 200 cruise ships every year. Other business opportunities include available real estate along the waterfront suitable for various commercial ventures.

Recreational amenities are abundant along the waterfront. The Port offers 16 public parks which include playgrounds, basketball courts, picnic areas and miles of scenic walkways. Boating enthusiasts enjoy 20 marinas and several launch ramps and boat docks. Fans of public art can peruse works by accomplished artists whose creations are located throughout Port tidelands.

With over 600 tenant leases administered by the Port's Real Estate department, business operations and capital construction on the tidelands support one out of every 12 jobs in the San Diego region. Industrial tenants on tidelands provide over 12,000 jobs with a payroll of \$524 million and a total business output of \$1.4 billion. The Port's eight shipbuilding and boat repair tenants make up one of the region's largest industries with over 6,000 employees.

